



MONEY LAUNDERING

AND TERRORIST ACTIVITY FINANCING WATCH

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Money Laundering and Terrorist Activity Financing Watch:

- Summarizes relevant group-based, activity-based and country-based money laundering (ML) and terrorist activity financing (TF) issues;
- Alerts readers to new developments that could possibly be exploited for money laundering or terrorist activity financing purposes in Canada.

The ML/TF Watch is a quarterly review of news articles compiled by FINTRAC's Macro-Analysis and Research unit. The articles provided in this issue range from January to March 2012.

Caveat

The content presented herein is a summary of news articles and does not include any FINTRAC analysis. The views expressed are those of the original authors. FINTRAC is not responsible for the accuracy, currency or the reliability of the content. References to the respective articles are provided at the end of this document.

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Money Laundering

GROUP-BASED

Beltran Leyva drug cartel infiltrated by U.S. agents: Documents released by the Mexican Foreign Ministry on January 9th revealed how undercover U.S. Drug Enforcement Administration (DEA) agents working in collaboration with a Colombian informant and Mexican law enforcement officials laundered millions of dollars in drug proceeds to infiltrate and dismantle the Beltran Leyva drug cartel. According to the *New York Times*, the undercover operation began in January 2007 when the Colombian informant, posing as a money launderer, communicated with associates of Colombian cocaine supplier Harold Mauricio Poveda-Ortega. Undercover DEA agents posed as the informant's associates as he completed a series of money laundering jobs that gained him access to the kingpins of the cartel. Testimonies in the documents detailed how law enforcement officials conducted 15 wire transfers to banks in the United States, Canada and China. One agent posed as a business owner, offering his bank accounts for the traffickers to deposit and disperse their drug money. The traffickers complied in June 2007, unknowingly transferring a total of US\$1 million over four days from money exchange houses in Mexico into an account set up by the DEA at a Bank of America branch in Dallas, Texas. The informant later withdrew the money on the traffickers' instructions and the DEA arranged for its delivery to Panama. In August 2007, as trust between the informant and the traffickers grew, Colombian drug traffickers requested the informant's help in receiving US\$3 million to US\$4 million to be laundered – some of which (around US\$1.5 million) was picked up by an undercover Mexican law enforcement agent in Mexico City. According to the

testimonies in the documents, traffickers detailed how they used various methods to launder the drug proceeds, including prepaid debit cards and a Herbalife account to move the money. The testimonies also revealed how Mexican law officials, American counter-narcotics agents and the Colombian informant worked together to smuggle and launder US\$2.5 million in the United States and escort at least one shipment of cocaine from Quito to Madrid through a Dallas airport. In October 2007, DEA agents posed as pilots willing to transport a shipment of 330-kilograms of cocaine for US\$1,000 per kilo from Ecuador to Spain as requested by Mr. Poveda-Ortega and Mr. Beltran-Leyva, the Mexican drug cartel leader. The cocaine was shipped over a two-week period, retrieved in Quito by undercover Ecuadorian agents and tested for purity by U.S. agents before it was transported to Madrid, where Spanish authorities were tipped off by the DEA and seized it shortly after its arrival. The documents revealed that transnational operations against organized crimes can take years to yield results. For example, Mr. Poveda-Ortega was not arrested until 2010 in Mexico and Mr. Beltran-Leyva was killed in 2009 in a gunfight with Mexican security forces. The DEA's undercover operation has received criticism for the agency's involvement in drug trafficking and money laundering with its Mexican counterparts. According to the *New York Times*, critics have cited the inherent risks of international law enforcement operations, arguing that the DEA is "facilitating crime" rather than fighting it. However, the DEA has defended its activities in a written statement issued on January 9th, arguing that it has worked with Mexican authorities in undercover operations for years. The DEA stated that together, they gather and use information to counter security threats in both countries to infiltrate and dismantle powerful drug cartels.¹

FINANCIAL ACTIVITY-BASED

New Jersey rabbi sentenced to five years for laundering US\$1.5 million through charities: On January 4th, a U.S. District Court in New Jersey sentenced Rabbi Eliahu Ben Haim to five years in prison for his role in an international money laundering operation. Court documents revealed that Ben Haim used religious charities over a three-year period to launder approximately US\$1.5 million for family friend Solomon Dwek, who in reality was a government informant. In July 2009, the Federal Bureau of Investigations (FBI) gave over US\$3 million to Dwek to launder as part of a government sting operation, following his own arrest in a US\$50 million bank fraud. According to the *Asbury Park Press*, Dwek told Ben Haim that the money was the illegal proceeds of bank fraud, bankruptcy fraud and the sale of fake designer handbags. Ben Haim agreed to hide and launder the money for a fee of approximately 10% for each of the 35 different transactions he completed between October 2006 and July 2009. As instructed by Ben Haim, Dwek issued several cheques payable to various charities run by the rabbi under the pretence of charitable donations. Ben Haim would deposit the cheques—minus his 10% commission—into the organizations' bank accounts, allowing him to make a US\$1 million profit. Ben Haim then wired Dwek's money to individuals and corporations in various countries including Israel, Turkey, China, Switzerland and Argentina. A co-conspirator in Israel, known only as "I.M.," made cash available through an underground money transfer network and several cash houses operated by three men in Brooklyn. To date, over 30 people have pleaded guilty to money laundering charges related to this operation, with four more convicted at trial.²

Toy company owners sentenced for laundering drug proceeds: On January 31st, sisters Meichun Cheng Huang and Ling Yu were sentenced to 37 months in prison for using their California-based toy manufacturing business, Angel Toy Company, to launder money on behalf of Mexican and Colombian drug cartels. According to the *Los Angeles Times*, Huang and Yu used the company as part of a Black Market Peso Exchange scheme, laundering drug proceeds through their legitimate business accounts in the United States in exchange for Colombian pesos. Cartel couriers would drop off large amounts of cash at the Angel Toy Company headquarters. The cash was deposited into the company's bank accounts in increments below US\$10,000 to avoid financial reporting requirements. As reported by *Thomson Reuters*, Angel Toy Company executives wired the money to China to purchase stuffed animals and dolls that were then exported to Colombia and sold in exchange for local pesos, which were used to pay the drug traffickers. The investigation found that cartels deposited over US\$8 million in cash into the company's bank accounts over a four-year period. In addition to the 37-month sentence, Angel Toy Company was ordered to pay a US\$200,000 fine and Huang and Yu were ordered to forfeit US\$1 million to the government.³

Two men sentenced for laundering £17 million (CA\$26.8 million): On January 25th, the *Daily Mail Online* reported that Daniel Keenan and Andrew Barnett were sentenced by British authorities to eleven and six years in prison respectively for laundering 17 million pounds (CA\$26.8 million) in illicit drug proceeds. On November 26, 2009 police arrested Barnett with 535,000 euros (approximately CA\$788,290) in 200-euro denominations. Keenan was also arrested a few days later on suspicion of money

laundering. The British police investigation revealed that Keenan opened an account in April 2008 at a local money service business named Interchange, using a stolen identity with the intention to launder the proceeds of cocaine and heroin drug sales through currency exchange transactions. Between April 2008 and Barnett's arrest, over 300 transactions were carried out at Interchange, with Keenan personally completing 58 transactions totaling 12 million pounds (CA\$18.9 million). Barnett completed transactions totaling 5 million pounds (CA\$7.8 million), receiving a 200 pounds (CA\$315) commission from Keenan each time he went. The money was generally brought into Interchange for currency exchange in large bags filled with 20 pound notes. As the investigation continued in December 2011, police found that Keenan's mobile phone records linked him to Ian Kiernan, who was sentenced to 20 years in prison in 2001 for his role in one of Britain's largest drug-smuggling plots. The phone records revealed that Keenan was in constant contact with Kiernan, who was on temporary parole, except for one day when over 400,000 pounds (CA\$630,686) in transactions were completed at Interchange. Although Keenan and Barnett initially believed they were laundering the illicit proceeds of horse race betting, they later admitted knowing the cash came from drug deals.⁴

Eleven men indicted for cigarette trafficking and money laundering operation: On January 22nd, Charleston's *Post and Courier* reported that Khaled Fadel Ibrahim, Nasser Alquza and Kamal Z. Qazah were charged along with eight other men with allegedly running a multimillion-dollar cigarette trafficking and money laundering operation in North and South Carolina. The indictment accused the men of conspiring to receive and transport over 400,000 cartons of cigarettes,

which they believed were stolen from trucks in Virginia and Tennessee. Instead, they had unknowingly purchased the cigarettes from undercover police officers for US\$7.5 million. According to the indictment, criminal organizations purchase cigarettes in bulk from states with low tax rates, such as North and South Carolina, and illegally transport them to states with high tax rates, such as New York, where they can sell them without paying the sales tax and generate a large profit. As reported by the *Charlotte Observer*, the investigation against the 11 men began in August 2009 when authorities discovered that one of the defendants intended to purchase cigarettes below the market price and resell them in another state. In September 2009, an undercover agent approached a man named Khaled Fadel Ibrahim with the news that he had stolen Marlboro cigarettes from a truck in Virginia. Undercover agents later met with a man named Kamal Z. Qazah, who offered to buy the allegedly stolen cigarettes from the agents and sell them for a profit of US\$300 to US\$600 per case. In April 2010, after the agents inquired about money laundering, Qazah introduced them to his uncle, Nasser Alquza, who could allegedly launder US\$100,000 every few months. For a 6% cut of the money, Alquza agreed to write cheques in exchange for cash to launder the proceeds of the stolen cigarettes by using his legitimate businesses to conceal the illicit transactions. The *Charlotte Observer* states agents reportedly gave Alquza US\$250,000 and in return he gave them six personal cheques, twenty business cheques from a Mount Pleasant Subway store and three third-party cheques totalling US\$212,500, keeping US\$37,600 as payment. Charleston's *Post and Courier* reported that Alquza instructed the undercover agents to open a limited liability corporation using only a first name so that he could write contracts between the corporation and his own businesses.

Charleston's *Post and Courier* also reported that the defendants allegedly revealed their various methods of laundering money to the agents over the course of the investigation. Alquza told the agents that he had overseas bank accounts in London, Paris and Jordan, which he previously used to launder money from stolen baby formula for amounts over US\$100,000. To avoid suspicion, he only laundered the money for two to three years through those accounts and wired the money to the United States, labelled as proceeds from property sales. Alquza stated to the undercover agents that he was able to conceal the origin of cash by depositing money in daily increments of US\$5,000 or US\$6,000 into the accounts of one of his 30 businesses. Qazah also offered to launder money for the agents through his car lot named "7 Stars Auto Sales" and two gas stations he owned, explaining to the agents that he purchased cars, and returned them within a day, depositing the money into his own bank account. If convicted, the defendants could face a maximum of 10 years in prison for the conspiracy and receiving stolen property charges in addition to a maximum of 20 years for the money laundering charges.⁵

COUNTRY-BASED

Argentina targets money laundering in soccer: On February 15th, the *Associated Press* reported the introduction of new regulations by the Argentinian government to combat money laundering in soccer. Following the Financial Action Task Force's (FATF) 2009 study titled *Money Laundering through the Football Sector*, the Argentine Financial Information Unit published new rules requiring soccer clubs in Argentina to provide detailed reports on any financial transactions they complete. The 2009 FATF report cited the challenges that the soccer industry faces from

organized crime, including vulnerabilities to money laundering, tax evasion, illegal betting, exploitation, corruption and other crimes. To fight these crimes, the new regulations stipulate that the Argentine Football Association and every club in the top two divisions must complete reports on all individuals and companies with whom they do business, including corporate staff, media figures, investors, agents and government officials. The new regulations also require that any bonuses, loans and deals, including those with family members, must now be reported in addition to the standard reporting of salaries of officials, players, owners and staff who make over 60,000 pesos (US\$13,800) a year. The growing amount of money invested in the Argentine soccer industry has increased the risk of financial transactions with criminal ties. The new regulations combating money laundering schemes in the soccer industry hold a penalty for non-compliance ranging from US\$23,000 to ten times the amount of money involved and demonstrate Argentina's efforts to remain off of the FATF's list of "jurisdictions that have strategic AML/CFT deficiencies that have not made sufficient progress in addressing the deficiencies".⁶

Former Haitian government official convicted of money laundering: On March 12th, a federal jury in Florida convicted Jean Rene Duperval, a former director of international relations at Haiti's state-owned telecommunications company, on 19 counts of money laundering and two counts of conspiracy to commit money laundering. The U.S. Department of Justice announced that Duperval had accepted US\$500,000 in bribes from two Miami-based telecommunications companies between 2003 and 2006, which were paid to secure business advantages with Haiti's sole provider of land line telephone service, Telecommunications D'Haiti S.A.M. (Haiti Teleco). The *Miami Herald* reported that

the two telephone companies, Terra Telecommunications Corp. and Cinergy Telecommunications Inc., paid Duperval bribes to obtain discounted long-distance phone rates and to ensure a renewal of their contracts with Haiti Teleco. According to *Oregon Live*, the two companies forwarded the payments to two South Florida shell companies registered by Duperval's brother and sister, along with false documentation identifying the payments as fees for "consulting services" or for "international minutes from USA to Haiti," which were never provided. Duperval's sister, Marguerite Grandison, issued cheques to Duperval from her shell company, Telecom Consulting, which he then deposited into his own local bank accounts, falsely identifying them as "payroll" and "commission" payments. When he is sentenced on May 21, 2012, Duperval faces a maximum sentence of 20 years in prison and a fine of either US\$500,000 or double the value of the property involved in each transaction, whichever is greater.⁷

Former first lady of Egypt accused of money laundering: On January 19th, an Egyptian media outlet reported that Swiss officials have accused Egypt's former first lady, Suzanne Mubarak, and her deputy Aliya Bedary of money laundering and of tax evasion of up to US\$962 million. The money originated from donations to the Women for Peace Foundation, an organization Mrs. Mubarak started in Geneva which has been frozen by the Swiss Government. The investigation has revealed that Mrs. Mubarak's organization allegedly received US\$1.23 billion between May 2006 and December 2010, which was deposited directly in her name without reference to the organization. The Swiss General Prosecutor has accused Mrs. Mubarak of violating Swiss law by colluding with Bedary to withdraw US\$191 million from the Foundation after the

Mubarak family regime was removed from Egypt in February 2011. According to the Egyptian media outlet *Bikya Masr*, it is believed that the illicit proceeds were transferred to a bank in Panama and then dispersed among a number of banks in the Cayman Islands 72 hours later. Sixteen members of the organization are under investigation by Swiss officials.⁸

Terrorist Financing

GROUP-BASED

Canadian Muslim youth organization loses charitable status for alleged terrorism ties: On February 11th, a Canadian Muslim youth organization named World Assembly of Muslim Youth (WAMY) had its charitable status revoked after an investigation by the Canada Revenue Agency (CRA) linked the group to a number of organizations that allegedly financed Al Qaida operations around the world. A *National Post* article published on March 6th revealed that a warning letter issued by the CRA in the summer of 2011 accused the Toronto-based organization of supporting the goals and operations of its parent organization, WAMY in Saudi Arabia, which is alleged to have ties to terrorism. According to the article, the CRA audit found that WAMY (Toronto) failed to distinguish itself and its activities from those of WAMY (Saudi Arabia), who allegedly made all financial and operational decisions for the Toronto organization. The audit also revealed that WAMY (Toronto) appears to share a director, contact information and a bank account with the Benevolence International Fund (BIF) in Canada. In 2002, the Canadian government froze BIF-Canada's assets after Usama bin Laden was linked to the organization in his attempts to obtain nuclear and chemical

weapons. WAMY (Toronto) was also found by the CRA audit to have transferred US\$50,246 to BIF in the United States in 2001, which, along with BIF-Canada, was added to the Consolidated List of the United Nations Security Council's Al Qaida and Taliban Sanctions committee in November 2002 for having ties to Al Qaida. The audit also cited testimony by counter-terrorism consultants before a U.S. Senate committee claiming that bin Laden identified WAMY as a key source of Al Qaida's financial and fundraising activity in 1993. Furthermore, according to the audit, the director of BIF-Canada and BIF-USA admitted to using the charity to provide financial assistance to individuals engaged in violent activities overseas as part of a plea agreement in 2003.⁹

9/11 victims fight for US\$6.6 million in account linked to Al Qaida: On March 3rd, the *Chicago Tribune* reported on a legal battle taking place between the U.S. Department of Justice and the victims of 9/11 over an account linked to Al Qaida containing US\$6.6 million. According to the article, in 2005 Abu al Tayyeb, a former mujahedeen fighter and fundraiser for Al Qaida, deposited US\$24 million into a Chicago account after converting the money from Saudi riyals and transferring it through an account in Spain. The money was then traded on the U.S. futures market through a Chicago brokerage firm, where all but US\$6.6 million was lost by mid-2006 due to a series of poor trading decisions. According to the *Chicago Tribune*, the victims of 9/11 are fighting to have the money included in their civil lawsuit against Al Qaida's network and supporters. The pending lawsuit, which aims to seize billions of dollars from those linked to the Al Qaida network and its supporters, acknowledges that although the Chicago brokerage account doesn't hold a significant amount of money, it represents the first money the victims have found to be linked

to the group since the 9/11 attacks. However, in 2011, the U.S. attorney's office in Chicago initiated proceedings to seize it as terror-related assets with prosecutors arguing that the victims have no legal claim to the money. Prosecutors have insisted that the money should be forfeited to the U.S. Attorney General, suggesting that it could be used to pay for future terrorism investigations besides potentially being distributed to victims of 9/11 and other terrorist attacks. Attorneys representing the 9/11 victims have not yet announced how the money would be used if they won the right to include the money in their civil lawsuit.¹⁰

Al Qaida forced to save after funding targeted: On January 9th, *Bloomberg* reported that recent counter-terrorism financing efforts have forced Al Qaida to reduce its spending on training, recruiting and other finances as its funding is increasingly targeted. Citing Saudi Arabia's three-day conference on disrupting terrorism financing, *Bloomberg* noted that the Al Qaida core in Pakistan has received less funding from wealthy donors in the Persian Gulf since Saudi Arabia's counter-terrorism policies expanded to include terror funding channels. Al Qaida's weakened financial state has subsequently forced its affiliates in sub-Saharan Africa, Yemen and Iraq to become more self-sufficient as less money is transferred to them from the core leaders. Surveillance by United States intelligence officials has revealed numerous complaints from Al Qaida members concerning money shortages, while David Cohen, undersecretary for the United States Treasury's Office of Terrorism and Financial Intelligence, reported the Al Qaida core to be in its weakest financial condition since 2001. *Magharebia* reports that depleting funds, the death of Usama bin Laden and counter-terrorism efforts in Afghanistan and Pakistan have led the Al Qaida core to rely on financing from Al Qaida

in the Islamic Maghreb (AQIM) to restore its credibility. Despite AQIM's reputation for arms and drugs trafficking and kidnappings for ransom money, a United Nations Security Council report issued in February argues that this may represent a need to raise funds as a result of internal power struggles rather than the capacity of the group to strike. An article published by *Magharebia* on January 26th noted that AQIM has been significantly weakened by internal conflict, depleting resources and declining ranks, prompting security analyst Hamadi Ould Dah to argue that AQIM is unable to provide the necessary support to the Al Qaida core. A report released by the Institute of Studies on Conflict and Humanitarian Action (IECAH) in February reasoned that as Al Qaida increasingly turns to criminal activities to replenish its funds, it distances itself from the ideological justification of its actions, further weakening its ability to garner support from religious leaders in the Maghreb.¹¹

Al Shabaab formally joins Al Qaida: On February 9th, a video was released by Al Qaida leader Ayman al-Zawahiri announcing that the terrorist group had officially merged with Somalia's Islamist militant group Al Shabaab. The video, posted on jihadist websites, includes a recording of Al Shabaab leader Ahmed Abdi Godane, known as Mukhtar Abu Zabair, pledging the group's allegiance to Al Qaida leader Zawahiri. The *Telegraph* reported the merger as an attempt to boost Al Qaida morale, which has been weakened by a series of drone strikes, including the killing of Usama bin Laden in Pakistan, while *BBC News* reported that the announcement comes as Al Shabaab is under increasing pressure from government forces and regional armies. In 2011, African Union troops, with support from UN-backed government forces, took control of the Somali capital Mogadishu, while Kenyan and

Ethiopian troops entered Somalia in November 2011 to drive back the Islamist militants. Moreover, BBC correspondents have argued that Al Shabaab's ban on foreign aid agencies during the current drought has cost the group a considerable amount of support. Australian analyst Leah Farrall told *Reuters* that the joining of the two groups could indicate that Al Shabaab now has permission from Al Qaida to launch attacks against the West, allowing Zawahiri to reinforce Al Qaida's presence and credibility after a series of failed attacks. Nonetheless, the initial Western reaction to the video was dismissive, with U.S. analysts noting the lack of effective Al Qaida leadership and citing the announcement as a mere formalization of the affiliation between Al Qaida and Al Shabaab. According to the *Telegraph*, Al Shabaab has long been a supporter of Al Qaida, announcing its ideological links to the group and its support for Zawahiri. *Al Jazeera* reported that these links included receiving training and advice from Al Qaida.¹²

Boko Haram's funding sources revealed:

An article published by the *Nigerian Tribune* on February 13th reported that sources of funding for the Islamist militant group, Boko Haram, have allegedly been traced to several Al Qaida affiliated organizations. Arrested members of the group revealed that although Boko Haram's funding was initially limited to donations from members, growing ties to Al Qaida in the Islamic Maghreb (AQIM) have increased its access to funding. A report presented to the Countries of the Economic Community of West African States (ECOWAS) linked the activities of Boko Haram to the training and support it receives from AQIM. The report speculates that while the ties between the two terrorist groups are based on a common ideology, AQIM's cross-border trafficking activities (one of its main sources of funding) may have also brought the two

groups together. An investigation conducted by operatives of the Nigerian State Security Services and other local and international agencies found that the group's ties to AQIM also allegedly enabled it to receive financial assistance from Al-Muntada Trust Fund, a charity based in the United Kingdom, and the Islamic World Society in Saudi Arabia. As reported by the *Nigerian Tribune*, Boko Haram's funding was also traced to several notable businessmen in the Middle East, including Babu Fugu, who was a relative of the group's founder, Mohammed Yusuf. The group also allegedly received material support from a sponsor in Bauchi State, who supposedly developed ties to Al Qaida in Somalia after receiving training from their leader, Abu Umar Al-Wadud. According to the *Vatican Today*, a spokesman for Boko Haram revealed information about the group's economic-criminal dimension to police, noting that robberies and the recycling of high-valued cars have been used to finance activities and pay certain privileged members of the group.¹³

FINANCIAL ACTIVITY-BASED

Ontario man pleads guilty to aiding Tamil Tigers: On February 8th, former University of Waterloo student Ramanan Mylvaganam pleaded guilty in a New York court to conspiring to provide material support to the Liberation Tigers of Tamil Eelam (LTTE). According to the *National Post*, Mylvaganam was one of six Ontario men arrested in 2006 for allegedly attempting to provide weapons and equipment to the LTTE, which both Canada and the United States have designated as a foreign terrorist organization. Mylvaganam allegedly conspired with Suresh Sriskandarajah to purchase submarine design software, valued at approximately US\$22,000, from a company in the United Kingdom. He also attempted to provide the LTTE with

electronics, communications and computer equipment, including night-vision gear from a company in British Columbia, to whom he claimed they were for a fourth-year university project. Suresh, also a former University of Waterloo student, allegedly began working for the LTTE while on a co-op placement in Sri Lanka and is accused of providing group members with aviation equipment, submarine and warship design software and communications equipment. Suresh also allegedly laundered money for the LTTE and educated group members on how to smuggle goods. Although he has pleaded not guilty, Sriskandarajah's trial could be complicated by Mylvaganam's guilty plea as they allegedly conspired together to acquire and provide material support to the Tamil Tigers.¹⁴

Chicago taxi driver guilty of attempting to provide material support to Al Qaida: On February 6th, Chicago taxi driver Raja Lahrasib Khan pleaded guilty to one count of attempting to provide material support to a foreign terrorist organization. In 2008, Khan began working with Ilyas Kashmiri, a Pakistan-based terrorist leader believed to be working with Al Qaida and leading attacks against the Indian government. An article published by the *Canadian Press* reported that Khan believed Kashmiri was following orders from Usama bin Laden, prompting him to give Kashmiri 20,000 Pakistani rupees (CA\$220) to buy explosives in support of his attacks against India. According to *CBS Chicago*, on November 23, 2009, Khan sent 77,917 rupees (CA\$850) to Pakistan through Western Union and instructed an individual to deliver 25,000 rupees (CA\$270) to Kashmiri. According to the *Canadian Press*, Khan also took US\$1,000 from an undercover agent with the intent of purchasing weapons and other supplies to aid Al Qaida. The affidavit filed after Khan's arrest also described him discussing the possibility of hiding bags of

bombs around an unspecified stadium on wiretap, although he was not charged with attempting such an attack because prosecutors focused on the terrorism financing allegations. Khan will face a recommended sentence between five and eight years when he is sentenced on May 30th.¹⁵

Afghan drug trafficker linked to the Taliban: On March 13th, an Afghan heroin trafficker with ties to the Taliban was convicted of drug trafficking and narco-terrorism charges in a U.S. District Court in Washington. In 2005, the Drug Enforcement Administration (DEA), in conjunction with Afghan authorities, launched a five-year investigation against Haji Bagcho from Nangahar Province, Afghanistan. According to the U.S. Department of Justice, the investigation identified Bagcho as one of the largest heroin traffickers in the world, manufacturing the drug in secret laboratories along Afghanistan's border region with Pakistan and distributing it to over 20 countries, including the United States. A search in 2007 of residences belonging to Bagcho and his associates revealed a ledger that documented Bagcho's sales of over 123,000 kilograms of heroin in 2006, worth about US\$250 million. The U.S. Department of Justice noted that based on 2006 heroin production statistics recorded by the United Nations Office of Drugs and Crime, Bagcho's sales accounted for 20% of the world's total production that year. The investigation revealed that a portion of these proceeds was used to provide money, weapons and other supplies to high-level members of the Taliban, including the former governor of Nangahar Province and two commanders. Bagcho was initially indicted in 2006 with distributing heroin, knowing it would be trafficked into the United States. However, his ties to the Taliban led to an amended indictment issued on January 28, 2010 with the additional charge of "engaging in drug

trafficking knowing or intending to provide something of pecuniary value to a terrorist or a terrorist organization". When sentenced on June 12th, Bagcho will face a minimum sentence of 20 years in prison.¹⁶

FARC selling stolen cows to fund operations: On January 16th, Colombian President Juan Manuel Santos announced that the Revolutionary Armed Forces of Colombia (FARC) is increasingly selling cattle to fund its insurgency as its profits from cocaine trafficking decline. As reported by *Reuters*, FARC, which has fought the Colombian government since the 1960s, has funded its rebellion for decades through its control of coca production and its ties to drug gangs. However, in recent years a strong government opposition backed by the United States military has weakened the group's drug trafficking trade in Colombia, leading Santos to suggest that FARC is now trying to sell cattle stolen from other regions in the country to supplement funds. However, according to *CNN*, FARC does appear to be making changes to its methods of funding, announcing on February 26th that the group would release 10 government hostages and cease its kidnapping of civilians for money. Nonetheless, Santos does not see this announcement as an indication of an upcoming peace agreement, as FARC continues to carry out ambushes and bombings in Colombia despite its allegedly weakened financial state.¹⁷

COUNTRY-BASED

Canada reveals its first Counter-Terrorism Strategy: On February 9th, Public Safety Minister Vic Toews revealed Canada's first comprehensive Counter-Terrorism Strategy titled *Building Resilience Against Terrorism*. The Strategy aims to protect Canada,

Canadians and Canadian interests from domestic and international terrorism using four elements: Prevent, Detect, Deny and Respond. The strategy identified the three main categories of terrorism threats to Canada: violent Sunni Islamist extremism, including violent "homegrown" extremists within Canada; other international terrorist threats, such as those interested in using Canada for refuge, financing or recruitment; and domestic, issue-based extremism initiated by devotees of causes such as white supremacy, anti-capitalism, animal rights and environmentalism. The strategy also identifies the risk that terrorists and their supporters may seek to exploit Canada's advanced financial and technology sectors to redirect resources or acquire financial and logistical support for their various causes.¹⁸

The United States designates Al Qaida Kurdish Battalions and Jemmah Anshorut Tauhid: On January 5th, the U.S. Department of State designated Al Qaida Kurdish Battalions (AQKB) as a Specially Designated Global Terrorist entity, subsequently freezing any AQKB assets under U.S. jurisdiction and prohibiting U.S. persons from engaging in transactions with the group. The AQKB was established in 2007 and has publically declared its support for other terrorist groups including Al Qaida and Al Qaida in Iraq. The AQKB has opposed the Kurdish Regional Government and has taken responsibility for a number of attacks on Kurdish targets in Iraq. The U.S. Department of State also designated the Indonesia-based group Jemmah Anshorut Tauhid (JAT) as a foreign terrorist organization and as a Specially Designated Global Terrorist entity on February 23rd. The JAT has been declared responsible for multiple attacks against civilians, police, government and military personnel in Indonesia in its effort to establish an Islamic caliphate in the country. The U.S. Department

of State has prohibited the provision of material support or resources to JAT in consultation with the U.S. Department of Justice and the U.S. Department of Treasury, and has subsequently frozen all of the group's property and assets in the United States.

In related news, on February 20th, Turkey's Supreme Court of Appeals declared the Kurdistan Communities Union (KCK) a terrorist group, citing its ideological, moral, philosophical and organizational links to the Kurdistan Workers' Party (PKK).¹⁹

Hizballah admits receiving financial support from Iran: On February 7th, the leader of the Lebanese group Hizballah, which Canada has designated as a terrorist organization, publicly acknowledged receiving financial and material support from Iran. *Thomson Reuters* reported the story, quoting Hizballah leader Sayyad Hassan Nasrallah confirming receipt of Iranian "material support in all possible forms" since 1982. Although Hizballah has previously confirmed receiving moral and political support from Iran, Nasrallah's declaration marks the first time the group has admitted financial backing from the country, waiting for Iran's own public declaration of support before making the announcement. Although the group has received support from Iran since it was founded, Nasrallah denied receiving orders from the country and noted that Iranian leadership would not ask the group to retaliate if Israel attacked Iranian nuclear facilities. Nasrallah rejected U.S. accusations of money laundering after U.S. prosecutors accused three Hizballah-linked Lebanese financial institutions of laundering US\$240 million through the United States used car market in December 2011. Hizballah also denied accusations by the U.S. Drug Enforcement Administration that the group was involved in the distribution and sale of cocaine in West

Africa, claiming that Iranian support meant the group did not need to turn to crime to raise funds.²⁰

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